Volume 27, No. 1
November/December 1989
Whole No. 183

Symposium: Risk, Safety and Capitalism
The Secret of Safety Lies in Danger Aaron Wildavsky
Choosing Which Danger to Risk William R. Catton, Jr.
Safety Through Markets W. Kip Viscus
Regulating the Deregulated J. Peter Rothe
The Criteria of Net Benefit Robert Paehlke
Intelligent Planning for Safety Paul R. Ehrlich and Anne H. Ehrlich
Capitalism is Richer, Democracy is Safer Lee Clarke
Extending the Search for Safety Richard H. Gaskins
Ghostly Science John Byrne and Cecilia Martinez
Informed Consent John Shelton Reed
Replies to Critics and Critiques Aaron Wildavsky

Special Feature
The Politics of Cold Blood R.J. Rummel

Articles: Harnessing the American Marketplace
Declining America: Myth or Fate Richard McKenzie
Protecting the Environment Murray Weidenbaum
Products Liability Reform Jules L. Coleman
Antitrust Policy and Competition Thomas DiLorenzo

Photo Essay
Americanization of Vietnamese Photos and text by Steve Gold

Social Science and Public Policy
Public Responses to Genetic Engineering Betsy Hanson and Dorothy Nelkin

Profile
Free Associations Mervyn Jones

Books in Review

Departments
Social Science and the Citizen
Social Science Books of the Month

Manuscripts and book review correspondence should be sent to Society, Rutgers-The State University, New Brunswick, NJ 08903. Subscription rate for individuals in the U.S.: $30.00 a year; $55.00 for two years; $75.00 for three years. Institutions: $65.00 a year; $125.00 for two years; $165.00 for three years. Students: $15.00 a year. Add $15.00 per year for postage per year. Domestic first-class mailing: $18.00 per year for foreign surface mail; $39.00 per year for foreign airmail. Single copies ($10.00 minimum order): current issue: $12.00; back issues: $12.00. Information about advertising contact Marianne Jaeger O'Neill, Advertising Sales. Copyright © 1989 by Transaction Publishers. All rights reserved. Permission for reproduction of individual articles may be obtained through the Copyright Clearance Center, 21 Congress St., Salem, Mass. 01970, using item code 0147-2011/89/S01.00. Published bimonthly by Transaction Inc., Rutgers - The State University, New Brunswick, NJ 08903. Printed at Capital City Press, Box 546, Montpelier, VT 05602, USA. Newsstand distribution by Eastern News Distributors, Inc., 2020 Superior St., Sandusky, OH 44870. Second Class postage paid at New Brunswick, NJ, and additional offices. Title registered U.S. Patent Office. Society reserves all rights to literary material. Written permission must be obtained for reproduction in whole or in part. Back volumes are available on Microfilm and Microfiche from University Microfilms International, 300 North Zeeb Road, Ann Arbor, MI 48106 and from KTO Microfilm, Route 100, Millwood, NY 10546. Beginning in 1968, indexed in Reader’s Guide to Periodical Literature; also indexed by Current Contents: Behavioral, Social and Management Sciences; Medical Sociocultural Research Sources; Centre de Documentation Sociopolitique et Humanisme; Book Review for Social Science Periodicals; Sociological Abstracts; United States Political Science Documents; Political Science Abstracts; Public Affairs Information Service Bulletin; Communication Abstracts; Social Work Research and Abstracts; Linguistic Abstracts, ERIC Clearinghouse on Urban Education, and Current Index to Journals in Education. POSTMASTER: Send address changes to Society, Transaction, Inc., Rutgers - The State University, New Brunswick, NJ 08903.
Safety through Markets

W. Kip Viscusi

Throughout this century, we have seen a steady decline in all kinds of risks that we face. Accident rates from falls, drownings, products, and job injuries have all declined. These safety improvements antedate the establishment of the set of risk regulation agencies in the early 1970s. As Aaron Wildavsky correctly observes, these improvements can be traced to the operation of markets. Society’s increased wealth has led to a demand for greater safety. In addition, technological improvements have decreased the cost of providing safety, leading to improved safety outcomes.

The greater valuation of safety stemming from rising societal wealth has also led to a demand for societal intervention to foster improvements of safety. Almost two decades ago we witnessed the emergence of a number of government agencies whose mission was to promote health, safety and environmental quality. The strategies they adopted to obtain these improvements might well be characterized as brute force. In each case, the agencies opted for command and control regulations, imposing a variety of engineering requirements on the design of automobiles, the specification of stepladders, and the permissible forms of pollution abatement. These technological solutions were often coupled with highly optimistic projections of dramatic improvements in safety. It is also noteworthy that the price tag for these improvements ran in the billions, since in many cases the legislation for the agencies prohibited cost considerations from being taken into account.

Setbacks and Successes

Although the early safety and environmental efforts aroused substantial controversy, to date we have very little to show for these efforts, and by almost any standard their performance has been disappointing. Early estimates indicated that occupa-

Implications

What can we learn from this? First, our disappointment with the public interventions may reflect the fact that when market systems are in place they can play a constructive role in promoting health and safety. In the case of job safety and product safety, health and safety levels are the direct result of market transactions between worker and company and consumers and business. To the extent that individuals are aware of risks, they will have an incentive to ensure that their welfare is being adequately protected by the company.

The second lesson is that the public interventions have suffered from a substantial lack of balance. Regulatory costs have run higher than $100 million per expected life saved, which is out of line with any reasonable estimate of the appropriate allocation of funds to such efforts. Once again, the operation of the market provides a useful yardstick for the appropriate valuation of safety. My most recent estimates of the effect of fatal job risks on worker wages
indicate that each statistical death leads to additional wage compensation of workers in excess of $5 million. Yardsticks such as this serve as the value-of-life reference point for government programs in ascertaining the degree to which we should push our safety-enhancing efforts. Health and safety are laudable objectives, but at some point they may not be pursued because they are not perceived as being sufficiently important, although they may be very efficient means of enhancing safety. What matters is the risk-dollar trade-off – the price we are paying for the safety gains that are being achieved. Over time there has been increased effort on the part of government officials to achieve such balance, and this trend should be encouraged.

**Information Networks**

The most optimistic development has been the increased reliance on informational alternatives to direct regulation. Rather than attempt to control health and safety through technological means, there has been a proliferation of warning programs, such as the comprehensive hazard communication program OSHA (the Occupational Safety and Health Administration) has set in place for chemical hazards in all U.S. workplaces. Unlike command and control regulations, these information efforts work through the market to enable individuals to be informed of the risks that they face and to forego those activities that are unduly risky. Although informational efforts clearly cannot remedy problems that do not work through markets, such as broadly based environmental hazards, they can be of substantial benefit in many other contexts.

It is the market that remains the main force for promoting health and safety in our economy. There is, however, a legitimate role for government intervention, but in designing this intervention it is important to make the same kinds of trade-offs that the market makes implicitly every time a worker accepts a risky job or a consumer buys a potentially hazardous product.

A risk-free society simply is not attainable; nor should that be our objective. More balanced health and environmental policies do, however, have an important role to play. When designing such efforts, policymakers should attempt to work through existing market forces rather than supercede them. Informational efforts that respect the integrity of market operation and which operate by improving the way in which these market mechanisms operate should be come a more prominent part of our policy approach.

**READINGS SUGGESTED BY THE AUTHOR:**


---

Moving soon? Please let us know.

If you are going to move, please use this form to advise Society of your new address 30 days in advance. Attach the mailing label (or write in your old address) to enable the Subscription Department to put the change into effect quickly. Many thanks.

ATTACH MAILING LABEL HERE
(or write old address)

PLEASE PRINT NEW ADDRESS:

NAME: ____________________________________________

ADDRESS: _______________________________________

CITY ___________________ STATE _______ ZIP ________

Return to:

SOCIETY
Rutgers—The State University
New Brunswick, N.J. 08903